

Message Text

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ACTION PM-09

INFO OCT-01 EUR-25 ADP-00 SSO-00 NSCE-00 CCO-00 USIE-00

INRE-00 CIAE-00 INR-09 L-03 NEA-10 NSAE-00 PA-03

RSC-01 PRS-01 GAC-01 MBFR-03 SAJ-01 H-02 NSC-10 SS-14

ACDA-19 EB-11 TRSE-00 OMB-01 T-03 RSR-01 /128 W
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O R 201543 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 9831

INFO DOD WASHDC IMMEDIATE

USCINCEUR

CINCUSNAVEUR

CINCUSAFE

CINCUSAREUR

HQ 3 AF RAF MILDENHALL

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03288

FROM THE AMBASSADOR

E. O. 11652: XGDS1

TAGS: MARR, UK

SUBJECT: US/ UK COST SHARING ARRANGEMENT

REF: LONDON 3258

1. I STRONGLY URGE THAT A MAXIMUM EFFORT BE MADE TO SIGN THE NEW US/ UK COST SHARING ARRANGEMENT BY APRIL 1 ON THE BASIS OF THE BRITISH DRAFT SUBMITTED IN THE REFERENCED TELEGRAM. THIS AGREEMENT, WHICH GOVERNS THE TERMS UNDER WHICH OUR MILITARY FACILITIES IN THE U. K. ARE PROVIDED, CONSTRUCTED, AND MAINTAINED, IS OF FUNDAMENTAL IMPORTANCE TO THE PRESENCE OF OUR FORCES HERE. IT HAS, ALMOST INCREDIBLY, BEEN UNDER NEGOTIATION FOR OVER A DECADE. THE LATEST UK DRAFT, WHILE LESS THAN PERFECT FROM OUR POINT OF VIEW, IS ON THE WHOLE AN
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ACCEPTABLE OUTCOME AND IN MANY RESPECTS BETTER THAN WE THOUGHT COULD BE ACHIEVED. THAT IT HAS BEEN PRESENTED UNDER PRESSURE OF A VERY TIGHT DEADLINE ONLY ILLUSTRATES THAT TIME IS NOW ON THE SIDE OF THE BRITISH, AND THAT OUR INTERESTS WILL NOW BE BEST SERVED BY BRINGING THE MATTER TO A RAPID CONCLUSION.

2. I AM CONVINCED THAT WE HAVE IN THIS PROLONGED AND CONTENTIOUS NEGOTIATION EXTRACTED JUST ABOUT ALL OF THE SIGNIFICANT CONCESSIONS THE BRITISH ARE PREPARED TO MAKE. THE BENEFITS TO THE UNITED STATES OF THE AGREEMENT AS IT NOW STANDS ARE SUBSTANTIAL. MOST IMPORTANT ARE THE CONCESSIONARY DE RATE OF 7 1/2 PER CENT, RETROACTIVE TO APRIL 1, 1972, WHICH WILL APPLY TO ALL CONSTRUCTION AND MAINTENANCE CARRIED OUT FOR ALL OF OUR MILITARY SERVICES BY HMG, AND THE RIGHT WHEN NECESSARY TO CONTRACT INDEPENDENTLY AND TO USE US LABOR AND MATERIALS. IN RETURN FOR THESE AND OTHER BENEFITS, WE HAVE GIVEN UP LITTLE MORE THAN A HIGHLY TENUOUS RESIDUAL VALUE CLAIM.

3. THE APRIL 1 DEADLINE WHICH WE NOW FACE ARISES FROM THE UK TREASURY'S RELUCTANCE TO STRETCH RETROACTIVE APPLICATION OF THE FINANCIAL TERMS BEYOND A SINGLE UK FINANCIAL YEAR. WHILE WE DO NOT BELIEVE THIS LIMITATION WAS ORIGINALLY DESIGNED FOR TACTICAL PURPOSES, OTHER UK AGENCIES HAVE RECOGNIZED ITS NEGOTIATING UTILITY AND SIEZED UPON IT TO INSIST THAT A SERIES OF LESSER ISSUES BE SETTLED AS PART OF THE OVERALL PACKAGE. ON MOST OF THESE POINTS WE HAVE BEEN ABLE TO FIND A SATISFACTORY COMPROMISE SOLUTION AND HAVE EVEN OBTAINED A WAIVER OF SUPERANNUATION CLAIMS WORTH ABOUT 86,000 POUNDS WHICH WE WERE PREPARED TO PAY. THE LATEST DRAFT APPEARS TO HAVE BEEN CAREFULLY TIMED TO APPLY A FINAL SQUEEZE AGAINST THE APRIL 1 DEADLINE FOR OUR ACCEPTANCE OF A FEW SUBSTANTIVE POINTS AND SOME FAIRLY EXTENSIVE

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O R 201543 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 9832

INFO DOD WASHDC IMMEDIATE

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03288

DRAFTING CHANGES. WHILE IT IS ANNOYING TO BE SUBJECTED TO THIS KIND OF PRESSURE, NONE OF THESE POINTS SEEMS TO ME SUFFICIENTLY CRUCIAL TO JEOPARDIZE THE AGREEMENT.

4. WE NOW HAVE TWO WEEKS TO DEAL WITH THE BRITISH DRAFT. IT IS OF COURSE POSSIBLE THAT THE UK POSITION IS PURELY TACTICAL, AND THAT WE COULD SUCCESSFULLY INSIST THAT THE APRIL 1 DEADLINE BE EXTENDED FOR FURTHER DISCUSSION OF THE PROVISIONS WE STILL FIND QUESTIONABLE. I SEE AT LEAST TWO SERIOUS DANGERS IN THIS APPROACH. FIRST, THE TREASURY COULD MEAN BUSINESS AND WITHDRAW THE OFFER OF RETROACTIVITY. SECOND, EVEN IF WE CAN KEEP TREASURY ON BOARD, OTHER AGENCIES OF HMG WILL THEN HAVE NO INCENTIVE TO REACH FINAL AGREEMENT AND EVERY REASON TO THROW ADDITIONAL UNRESOLVED ISSUES INTO THE BARGAINING, THEREBY PROLONGING THE ENTIRE NEGOTIATION INDEFINITELY ONCE AGAIN. ALMOST ALL OF THE TACTICAL LEVERAGE IS NOW WITH THE BRITISH; UNLESS THE DEPARTMENT SEES REALLY COMPELLING DEFECTS IN THE PRESENT DRAFT, I DO NOT BE-
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LIEVE WE SHOULD RISK ALLOWING IT TO UNRAVEL YET AGAIN.

5. IF IT IS DETERMINED THAT WE MUST SEEK FURTHER CHANGES, I URGE THAT WE BE PROVIDED WITH FLEXIBLE INSTRUCTIONS INCLUDING FALLBACK POSITIONS BY MONDAY, MARCH 26. I WOULD CAUTION, HOWEVER, THAT IF WE FOLLOW

THIS COURSE THE UK COULD ELECT TO TAKE OUR REPLY UNDER
LEISURELY CONSIDERATION AND THEREBY ESCAPE THE COMMIT-
MENT AND THE NECESSITY TO SIGN NOW.

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